

# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2019

Fixed Income Private Portfolio

## **NBI U.S. Bond Private Portfolio**

### **Notes on forward-looking statements**

This report may contain forward-looking statements concerning the Fund, its future performance, its strategies or prospects or about future events or circumstances. Such forward-looking statements include, among others, statements with respect to our beliefs, plans, expectations, estimates and intentions. The use of the expressions "foresee", "intend", "anticipate", "estimate", "assume", "believe" and "expect" and other similar terms and expressions indicate forward-looking statements.

By their very nature, forward-looking statements imply the use of assumptions and necessarily involve inherent risks and uncertainties. Consequently, there is a significant risk that the explicit or implicit forecasts contained in these forward-looking statements might not materialize or that they may not prove to be accurate in the future. A number of factors could cause future results, conditions or events to differ materially from the objectives, expectations, estimates or intentions expressed in such forward-looking statements. Such differences might be caused by several factors, including changes in Canadian and worldwide economic and financial conditions (in particular interest and exchange rates and the prices of other financial instruments), market trends, new regulatory provisions, competition, changes in technology and the potential impact of conflicts and other international events.

The foregoing list of factors is not exhaustive. Before making any investment decision, investors and others relying on our forward-looking statements should carefully consider the foregoing factors and other factors. We caution readers not to rely unduly on these forward-looking statements. We assume no obligation to update forward-looking statements in the light of new information, future events or other circumstances unless applicable legislation so provides.

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This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-888-270-3941 or 514-871-2082, by writing to us at National Bank Investments Advisory Service, 500, Place d'Armes, 12th floor, Montreal, Quebec, H2Y 2W3, by visiting our website at [www.nbinvestments.ca](http://www.nbinvestments.ca), by visiting SEDAR's website at [www.sedar.com](http://www.sedar.com), or by contacting your advisor. You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Management Discussion of Fund Performance

### Investment Objective and Strategies

The NBI U.S. Bond Private Portfolio's investment objective is to provide current income and sustained capital growth. The Fund invests directly, or through investments in securities of other mutual funds, in a portfolio composed mainly of Canadian or U.S. government or corporate bonds denominated in U.S. dollars.

The portfolio manager's security selection is based on an analysis of economic conditions in the United States and their impact on interest rates. Shorter or longer term issues will be favored depending on whether interest rates are expected to rise or fall.

### Risks

The global investment risk of the Fund remains as described in the simplified prospectus or any amendments thereto and Fund Facts.

### Results of Operations

For the twelve-month period ended December 31, 2019, the NBI U.S. Bond Private Portfolio's Series N units returned 7.38% compared to 8.72% for the Fund's benchmark, the Bloomberg Barclays Global Aggregate Bond Index (USD). Unlike the benchmark, the Fund's performance is calculated after fees and expenses. Please see the *Past Performance* section for the returns of all of the Fund's series, which may vary mainly because of fees and expenses.

Certain series of the Fund, as applicable, may make distributions at a rate determined by the manager. This rate may change from time to time. If the aggregate amount of distributions in such series exceeds the portion of net income and net realized capital gains allocated to such series, the excess will constitute a return of capital. The manager does not believe that the return of capital distributions made by such series of the Fund have a meaningful impact on the Fund's ability to implement its investment strategy or to fulfill its investment objective.

The Fund's net asset value rose by 8.05% over the period, from \$52.14 million as at December 31, 2018 to \$56.34 million as at December 31, 2019.

U.S. 10-year Treasuries traded in a 123-basis point range in 2019, ending the year at 1.88%. Treasuries started the year at 2.69% and traded as low as 1.46% in September with nervousness around China/U.S. trade tariffs. With uncertainty around U.S. economic growth prospects, the U.S. Federal Reserve (the "Fed") lowered the overnight rate 3 times starting in July, bringing it down to a target rate of 1.75%. The last reduction in rates was termed an insurance measure. Growth ended the year slower than in 2018 but still positive. With interest rates accommodative, equity markets continued their ascent, finishing the year at all-time highs in the U.S. With this positive sentiment towards risk assets, corporate bonds performed exceedingly well throughout the year. Rates moved higher in the fourth quarter after cooler heads prevailed on the trade talks with Phase 1 to be signed in early January 2020 and the Fed signaling it was on hold for the foreseeable future.

Under these circumstances, the Fund underperformed the benchmark. Although the Fund was overweight corporate securities, it was concentrated in shorter maturities and did not participate in the rally the same way securities farther out the yield curve did. With spreads narrowing substantially, this created most of the underperformance in the Fund.

### Recent Developments

After corporate credit rallied strongly in the first quarter of 2019, a decision was made not to extend the term of the securities as there was a lot of uncertainty hanging over the market and credit was looking expensive. However, credit continued to do well all year. The duration of the Fund was alternated between short and long throughout the year. Unfortunately, no value was added as rates climbed higher in the fourth quarter and the Fund was long duration against its benchmark.

The Fund ended the year with a long duration against its benchmark. Data used to evaluate duration targets still signals that interest rates will move lower. Until this changes, the Fund will maintain its current duration.

Overall, the portfolio manager sees signs of a sluggish global economy, with growth in the U.S. also slowing but remaining positive in the first quarter. Although slowing, the portfolio manager is optimistic regarding the U.S. economy over the next year, but the U.S. consumer will have to continue to be the driving economic force in the coming months. Consumer sentiment is still high, fueled by a solid job market, wage gains, lower taxes and a strong housing market. Manufacturing has probably entered a mild recession caused by U.S. dollar strength, slowing global growth along with the uncertainty of tariffs and trade wars.

Starting in 2020, the portfolio manager should see a movement to lower rates as the market has become quite oversold. The market could rally on any signs of an economic slowdown, a flare up in geopolitical tensions or dovish central bank remarks. The portfolio manager believes rates are generally range bound for 2020, with 10-year U.S. yields trading between 1.5% and 2.0%. The portfolio manager believes there is a chance longer yields could test the lows of last August in coming months. He feels credit is currently fair value, and the portfolio manager will only add to it if there is significant widening of spreads. The Fund maintains a position on the yield curve that favours mid/long maturities, with no strong view of the direction of yield curve.

On April 30, 2019, the Fund's independent review committee (the "IRC") was reduced to three members when André Godbout resigned as an IRC member. On May 22, 2019, the Fund's IRC was increased to five members when Norman Turnbull and Robert Martin were appointed as IRC members.

## Related Party Transactions

National Bank of Canada ("the Bank") and its affiliated companies' roles and responsibilities related to the Fund are as follows:

### Trustee, Custodian, and Registrar

Natcan Trust Company ("NTC"), a direct or indirect wholly-owned subsidiary of the Bank, is the Fund's trustee. In this capacity, it is the legal owner of the Fund's investments.

NTC acts as registrar for the Fund's securities and the names of securityholders. NTC also acts as the Fund's custodian. The fees for NTC's custodial services are based on the standard rates in effect at NTC.

### Agent for securities lending transactions

NTC acts as the agent for securities lending transactions acts on behalf of the Fund in administering securities lending transactions entered into by the Fund. NTC is an affiliate of the Manager.

### Fund Manager

The Fund is managed by National Bank Investments Inc. ("NBII"), which is a wholly-owned subsidiary of the Bank. Therefore, NBII provides or ensures the provision of all general management and administrative services required by the Fund's current operations, including investment consulting, the arrangement of brokerage contracts for the purchase and sale of the investment portfolio, bookkeeping and other administrative services required by the Fund.

The Manager pays the operating expenses of the Fund other than its "Fund costs" (defined below) (the "variable operating expenses"), in exchange for the Fund's payment to the Manager of annual fixed-rate administration fees with respect to each series of the Fund.

The administration fees are equal to a specified percentage of the net asset value of each series of the Fund, calculated and paid in the same manner as the Fund's management fees. The variable operating expenses payable by the Manager include, but are not limited to: transfer agency and recordkeeping costs; custodial costs; accounting and valuation fees; audit fees and legal fees; costs of preparing and distributing financial reports, simplified prospectuses, annual information forms, Fund Facts, continuous disclosure material and other securityholder communications; and costs of trustee services relating to registered tax plans, as applicable.

In addition to administration fees, the Fund shall also pay certain Fund costs, namely: taxes (including, but not limited to, GST/HST and income taxes); costs of compliance with any changes to existing governmental or regulatory requirements introduced after August 1, 2013; costs of compliance with any new governmental or regulatory requirements, including any new fees introduced after August 1, 2013; interest and borrowing costs; costs related to external services that were not commonly charged in the Canadian mutual fund industry as at August 1, 2013; Independent Review Committee costs, including compensation paid to IRC members, travel expenses, insurance premiums and costs associated with their continuing education; and variable operating expenses incurred outside of the normal course of business of the Fund.

The Manager may, from time to time and at its sole discretion, decide to absorb a portion of a series' management fees, administration fees or Fund costs.

As described under the heading *Management Fees*, the Fund pays annual management fees to NBII as consideration for its services.

#### Distribution and Dealer Compensation

NBII acts as principal distributor for the Fund. Trailing commissions are covered by NBI Private Wealth Management's service fees, which are paid directly by investors.

#### Holdings

As at December 31, 2019, National Bank Investments Inc. held 131.55 Fund securities for a value of \$1,685.40, which represented close to 0.0023% of the net asset value of the Fund at that date. Transactions between National Bank Investments Inc. and the Fund were carried out in the normal course of business and at the Fund's net asset value as at the transaction date.

#### Independent Review Committee Approvals and Recommendations

The Fund followed the standing instructions of its Independent Review Committee with respect to one or more of the following transactions:

- a) Purchasing or holding the securities of a related issuer, in particular, those of National Bank of Canada;
- b) Investing in the securities of an issuer when an entity related to the manager acts as an underwriter for the placement or at any time during the 60-day period after the end of the placement;
- c) Purchasing or selling securities to another investment Fund managed by the manager or a company in the same group;
- d) Purchasing or selling debt securities on the secondary market, through related brokers that are main brokers in the Canadian debt securities market (in accordance with an exemption received from the Canadian Securities Administrators);
- e) Entering into foreign exchange transactions (including both spot transactions and forward transactions) with National Bank of Canada.

The Manager has implemented policies and procedures to make sure that the conditions applicable to each of the above transactions are met. The applicable standing instructions require that these transactions be carried out in accordance with NBII policies, which specify, in particular, that investment decisions pertaining to these related party transactions must be made free from any influence by an entity related to NBII and without taking into account any consideration relevant to an entity related to NBII. Furthermore, the investment decisions must represent the business judgment of the securities advisor, uninfluenced by considerations other than the best interest of the Fund and must achieve a fair and reasonable result for the Fund.

#### Registered Plan Trust Services

NBT receives a fixed amount per registered account for services provided as trustee for registered plans.

#### Administrative and Operating Services

The provision of certain services was delegated by the Fund Manager, NBII, to National Bank Trust Inc. ("NBT"), a wholly-owned indirect subsidiary of the Bank. These include accounting, reporting and portfolio valuation services. The fees incurred for these services are paid to NBT by the Fund manager.

#### Management Fees

The Fund pays annual management fees to the Fund manager for its management services. The fees are calculated based on a percentage of the Fund's daily net asset value before applicable taxes and are paid on a monthly basis. The management fees paid by the Fund only cover management of fund investments, i.e. the fees related to management of fund portfolios constituting the profiles of the NBI Private Wealth Management service ("PWM"). General administration services, trailer fees and sale commissions paid to brokers are covered by the PWM's service fees, which are paid directly by investors. The breakdown of major services provided in consideration of the management fees, expressed as an approximate percentage of the management fees is as follows:

Series	Management Fees	Distribution	Others <sup>†</sup>
Series N and Series NR (USD)	0.15%	—	100.00%

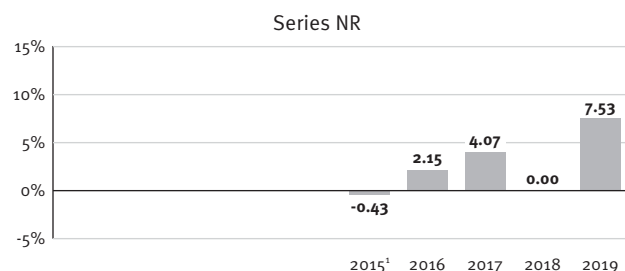
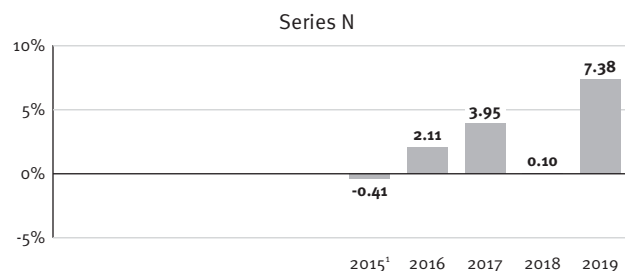
<sup>(†)</sup> Includes all costs related to management, investment advisory services, general administration and profit.

#### Past Performance

The performance of each series of the Fund is presented below and calculated as at December 31 of each year. It assumes that all distributions made in the periods shown were reinvested in additional securities and does not take into account sales, redemption charges, distributions, or optional charges that would have reduced returns. Past performance of a series of a Fund does not necessarily indicate how it will perform in the future.

## Annual Returns

The bar charts indicate the performance for each the Fund's series in existence greater than one year during the years shown, and illustrate how the performance has changed from year to year. They show, in percentage terms, how much an investment made on January 1 (or made commencing from the start of the series) would have grown or decreased by December 31 of that year, or by June 30, as applicable.



<sup>(1)</sup> Returns for the period from October 30, 2015 (commencement of operations) to December 31, 2015.

## Annual Compounded Performance

The following table shows the Fund's annual compound returns for each series in existence greater than one year and for each of the periods ended on December 31, 2019, compared with the following benchmark:

- Bloomberg Barclays Global Aggregate Bond Index (USD)

### NBI U.S. Bond Private Portfolio

	1 year	3 years	5 years	10 years	Since inception
<b>Series N<sup>1</sup></b>	7.38%	3.77%	–	–	3.11%
Benchmark	8.72%	4.03%	–	–	3.53%
<b>Series NR<sup>1</sup></b>	7.53%	3.82%	–	–	3.15%
Benchmark	8.72%	4.03%	–	–	3.53%

<sup>1</sup>Commencement of operations: October 30, 2015

A discussion of the Fund's relative performance in comparison to the index (or indices) can be found in the *Results of Operations* Section of this report.

### Index Description

The **Bloomberg Barclays Global Aggregate Bond Index** (USD) is a market capitalization weighted index which is designed to measure the broad global markets for corporate, government, governmental agency, supranational, mortgage-backed and asset backed fixed income securities.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the accounting periods shown.

### Series N\* / Private Series\*

<sup>(1)</sup> These Series are only offered under the USD purchase option and the data presented below is in USD. Please note that the Private Series was created on November 28, 2016, and is offered by way of private placement.

Net Assets per Unit<sup>(1)</sup> Commencement of operations: October 30, 2015

Accounting Period Ended	2019	2018	2017	2016	2015
	December 31	December 31	December 31	December 31	December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup>	9.87	10.09	9.92	9.94	10.00
<b>Increase (Decrease) from Operations (\$)</b>					
Total revenue	0.27	0.26	0.26	0.25	0.05
Total expenses	(0.03)	(0.03)	(0.03)	(0.03)	—
Realized gains (losses)	0.38	(0.16)	(0.07)	0.07	0.01
Unrealized gains (losses)	0.08	(0.06)	0.22	(0.33)	(0.11)
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>	0.70	0.01	0.38	(0.04)	(0.05)
<b>Distributions (\$)</b>					
From net investment income (excluding dividends)	0.24	0.23	0.22	0.16	0.02
From dividends	—	—	—	—	—
From capital gains	0.06	—	—	0.07	—
Return of capital	—	—	—	—	—
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	0.30	0.23	0.22	0.23	0.02
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>	10.29	9.87	10.09	9.92	9.94

### Ratios and Supplemental Data

Accounting Period Ended	2019	2018	2017	2016	2015
	December 31	December 31	December 31	December 31	December 31
Total net asset value (000's of \$) <sup>(5)</sup>	21,140	16,140	16,526	9,245	4,623
Number of units outstanding <sup>(5)</sup>	2,053,840	1,635,933	1,637,891	931,881	465,347
Management expense ratio (%) <sup>(6)</sup>	0.29	0.29	0.29	0.26	0.33
Management expense ratio before waivers or absorptions (%)	0.29	0.29	0.29	0.26	0.34
Trading expense ratio (%) <sup>(7)</sup>	—	—	—	—	—
Portfolio turnover rate (%) <sup>(8)</sup>	188.01	250.05	260.15	242.55	102.37
Net asset value per unit (\$)	10.29	9.87	10.09	9.92	9.94

## Series NR\*

<sup>(1)</sup> This Series is only offered under the USD purchase option and the data presented below is in USD.

Net Assets per Unit <sup>(1)</sup>		Commencement of operations: October 30, 2015				
Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31	
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup>	9.52	9.82	9.72	9.92	10.00	
<b>Increase (Decrease) from Operations (\$)</b>						
Total revenue	0.26	0.25	0.26	0.24	0.05	
Total expenses	(0.03)	(0.03)	(0.03)	(0.03)	—	
Realized gains (losses)	0.40	(0.14)	(0.08)	0.10	0.02	
Unrealized gains (losses)	(0.06)	0.01	0.24	(0.08)	(0.12)	
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>	0.57	0.09	0.39	0.23	(0.05)	
<b>Distributions (\$)</b>						
From net investment income (excluding dividends)	0.24	0.21	0.22	0.21	0.02	
From dividends	—	—	—	—	—	
From capital gains	0.07	—	—	0.12	0.01	
Return of capital	0.05	0.08	0.07	0.09	—	
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	0.36	0.29	0.29	0.42	0.03	
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>	9.88	9.52	9.82	9.72	9.92	

### Ratios and Supplemental Data

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	341	289	292	449	191
Number of units outstanding <sup>(5)</sup>	34,550	30,368	29,697	46,228	19,242
Management expense ratio (%) <sup>(6)</sup>	0.29	0.29	0.29	0.26	0.33
Management expense ratio before waivers or absorptions (%)	0.29	0.29	0.29	0.27	0.48
Trading expense ratio (%) <sup>(7)</sup>	—	—	—	—	—
Portfolio turnover rate (%) <sup>(8)</sup>	188.01	250.05	260.15	242.55	102.37
Net asset value per unit (\$)	9.88	9.53	9.82	9.72	9.92

## Series PW\*

<sup>(1)</sup> This Series is only offered under the USD purchase option and the data presented below is in USD. Please note that this Series is offered by way of private placement.

Net Assets per Unit <sup>(1)</sup>		Commencement of operations: October 30, 2015				
Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31	
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup>	9.62	9.84	9.67	9.78	10.02	
<b>Increase (Decrease) from Operations (\$)</b>						
Total revenue	0.26	0.25	0.25	0.24	0.25	
Total expenses	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	
Realized gains (losses)	0.37	(0.16)	(0.05)	0.10	0.03	
Unrealized gains (losses)	0.11	(0.10)	0.19	(0.14)	(0.15)	
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>	0.72	(0.03)	0.37	0.18	0.11	
<b>Distributions (\$)</b>						
From net investment income (excluding dividends)	0.24	0.24	0.21	0.22	0.26	
From dividends	—	—	—	—	—	
From capital gains	0.07	—	—	0.12	0.04	
Return of capital	—	—	—	—	—	
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	0.31	0.24	0.21	0.34	0.30	
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>	10.02	9.62	9.84	9.67	9.78	

### Ratios and Supplemental Data

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	28,827	28,194	35,012	25,583	20,109
Number of units outstanding <sup>(5)</sup>	2,877,390	2,932,091	3,556,795	2,645,329	2,055,271
Management expense ratio (%) <sup>(6)</sup>	0.22	0.22	0.22	0.19	0.25
Management expense ratio before waivers or absorptions (%)	0.22	0.22	0.22	0.19	0.25
Trading expense ratio (%) <sup>(7)</sup>	—	—	—	—	—
Portfolio turnover rate (%) <sup>(8)</sup>	188.01	250.05	260.15	242.55	102.37
Net asset value per unit (\$)	10.02	9.62	9.84	9.67	9.78

## Series PWO\*

<sup>(1)</sup> This Series is only offered under the USD purchase option and the data presented below is in USD. Please note that this Series is offered by way of private placement.

Net Assets per Unit<sup>(1)</sup> Commencement of operations: October 30, 2015

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup>	9.61	9.85	9.71	9.85	10.05
<b>Increase (Decrease) from Operations (\$)</b>					
Total revenue	0.26	0.25	0.25	0.24	0.26
Total expenses	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses)	0.36	(0.18)	(0.16)	0.10	0.05
Unrealized gains (losses)	0.13	(0.15)	0.33	(0.10)	(0.24)
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>	0.74	(0.09)	0.41	0.23	0.06
<b>Distributions (\$)</b>					
From net investment income (excluding dividends)	0.27	0.26	0.26	0.24	0.24
From dividends	—	—	—	—	—
From capital gains	0.08	—	—	0.13	0.04
Return of capital	—	—	—	—	—
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	0.35	0.26	0.26	0.37	0.28
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>	9.99	9.61	9.85	9.71	9.85

## Ratios and Supplemental Data

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	6,035	7,520	13,707	22,884	27,086
Number of units outstanding <sup>(5)</sup>	603,884	782,630	1,391,812	2,357,324	2,750,735
Management expense ratio (%) <sup>(6)</sup>	0.10	0.10	0.10	0.08	0.13
Management expense ratio before waivers or absorptions (%)	0.10	0.10	0.10	0.08	0.13
Trading expense ratio (%) <sup>(7)</sup>	—	—	—	—	—
Portfolio turnover rate (%) <sup>(8)</sup>	188.01	250.05	260.15	242.55	102.37
Net asset value per unit (\$)	9.99	9.61	9.85	9.71	9.85

<sup>(4)</sup> This information is derived from the Fund's Annual Audited Financial Statements. The net assets per unit presented in the financial statements might differ from the net asset value calculated for fund pricing purposes. The differences are explained in the notes to the financial statements.

<sup>(2)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase or decrease from operations is based on the average number of units outstanding over the accounting period.

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional units of the Fund, or both.

<sup>(4)</sup> The net assets are calculated in accordance with IFRS.

<sup>(5)</sup> This information is provided as at the last day of the accounting period shown.

<sup>(6)</sup> Management expense ratio is based on total expenses including sales taxes for the accounting period indicated (excluding commission, other portfolio transaction costs and withholding taxes) and is expressed as an annualized percentage of daily average net value during the accounting period. For Series N and NR and the Private Series, the management expense ratio before waivers or absorptions as at December 31, 2015 has been adjusted to reflect a non-material correction related to a programming error in the ratio calculation.

<sup>(7)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the accounting period. The trading expense ratio includes, if necessary, the trading expenses from its underlying funds, as described in Article 15.2 of Regulation 81-106. Since calculating an average daily allocation of the trading expenses would take considerable effort, an average monthly allocation has been used instead for the accounting periods prior to 2016.

<sup>(8)</sup> The Fund's portfolio turnover rate indicates how actively the Fund portfolio's manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the accounting period. The higher a Fund's portfolio turnover rate in an accounting period, the greater the trading costs payable by the Fund in the accounting period, and the greater the chance of an investor receiving taxable capital gains in the accounting period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

## Summary of Investment Portfolio

As of December 31, 2019

### Portfolio Top Holdings

	% of Net Asset Value
Government of the United States, 1.63%, due August 15, 2029	24.2
Government of the United States, 2.38%, due November 15, 2049	14.2
Government of the United States, 1.75%, due November 15, 2029	10.5
Government of the United States, 1.38%, due September 30, 2020	8.9
Apple Inc., 2.85%, due May 6, 2021	2.4
Toronto-Dominion Bank, 2.50%, due December 14, 2020	2.1
Starbucks Corp., 3.85%, due October 1, 2023	2.1
Goldman Sachs Group Inc./The, 5.75%, due January 24, 2022	2.0
Comcast Corp., 3.38%, due August 15, 2025	1.9
LyondellBasell Industries NV, 6.00%, due November 15, 2021	1.9
McDonald's Corp., 3.35%, due April 1, 2023	1.9
Home Depot Inc., 4.40%, due April 1, 2021	1.8
HSBC Holdings PLC, 2.65%, due January 5, 2022	1.8
Province of Quebec, 2.75%, due April 12, 2027	1.8
Wells Fargo & Co., 2.15%, due January 30, 2020	1.8
GlaxoSmithKline Capital Inc., 4.20%, due March 18, 2043	1.6
Great-West Lifeco Inc., 4.15%, due June 3, 2047	1.5
Bank of Montreal, Floating, due December 15, 2027	1.4
Bank of Nova Scotia, 2.45%, due September 19, 2022	1.4
Enbridge Inc., 2.90%, due July 15, 2022	1.4
Toronto-Dominion Bank, 2.55%, due January 25, 2021	1.3
Waste Management Inc., 2.90%, due September 15, 2022	1.1
CME Group Inc., 3.00%, due September 15, 2022	1.0
TransCanada Pipelines Ltd., 4.25%, due May 15, 2028	1.0
Cash, Money Market and Other Net Assets	0.7
	91.7

Net asset value ..... \$56,343,000

### Asset Mix

	% of Net Asset Value
US Bonds	82.1
Canadian Corporate Bonds	10.0
Foreign Bonds	4.6
Provincial Bonds	2.6
Cash, Money Market and Other Net Assets	0.7

The above table shows the top 25 positions held by the Fund. In the case of a Fund with fewer than 25 positions, all positions are indicated.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment Fund. A quarterly update is available. Please consult our Web site at [www.nbinvestments.ca](http://www.nbinvestments.ca).